AGM 2021- Questions and Answers

1) **Question: Is Compass going to commit to signing up to the EP100, a voluntary initiative of companies committed to increasing energy productivity and lowering emissions?**

Answered by Ian Meakins

Having joined compass recently it is clear to me that in the last five years we have made enormous progress in terms of improving our ESG performance. We are committed to the UN Global Compact and we have our own risk assessment process that allows us to pull together the priorities for our ESG agenda.

We have concluded that there are five areas that we want to focus on in support of our business strategy: health and safety, food safety, food waste, climate change and carbon emissions, and responsible sourcing. In terms of climate change we have improved our performance quite significantly year on year, tonnes of carbon dioxide emissions has reduced from 220k to 145k, being scope 1 and scope 2 emissions, however much of this has been driven by client sites being closed and emissions may increase once they reopen.

We are committed to the 2015 Paris Agreement, and we are working now on science based targets which we would anticipate we would issue during 2021, we will continue to work hard to reduce our energy usage and our emissions.

2) **Question: Although it is hard to speculate, what will the impact of Covid 19 be on long term profitability?**

Answered by Dominic Blakemore

We are very confident in our prospects for the medium and long term, and we have three objectives. The first is restoring our margin to above 7% before we restore volumes to pre-Covid levels. The second is to deleverage, and the third is to focus on organic growth such that we can restore our pre-Covid volumes.

Taking each in turn: on margin we announced today that our first quarter margin is 2.7% and we are guiding to reaching around half our historic margin by the second quarter, and that's regardless of any further volume progression in the quarter. We have also introduced significant flexibility into our operating model which will be positive for our long term prospects. On deleverage our leverage will peak at the half year as we have 12 months of post Covid trading EBITDA, a combination of both a recovery of scale and margin should allow us rapid deleverage. Finally, on growth we have enjoyed the best quarter of retention we have ever had in the first quarter of this year at 95.7%, we have good new business albeit a number of accounts are delayed in opening up, or are experiencing lower volumes in the short term. Our pipeline is strong and we are experiencing what we are describing as a flight to trust, particularly in first time outsourcing, and we see a good opportunity to grow into the defensive sectors of Healthcare, Education, and Defence, Offshore & Remote which will allow us bias away from Business & Industry where we may see a structural impact from working from home trends that we have previously quantified at around 4% - 6%. In the round we feel positive, we are very pleased with the progress we have made and we are confident on the pace of recovery ahead of us.

3) <u>In the eventuality of a future fundraising, could the Directors please avoid using Primary Bid, and give shareholders a genuine opportunity to participate?</u>

Answered by Ian Meakins

All our shareholders are important to us and we want to try and treat everybody equally. We did everything that we possibly could in the circumstances to allow retail investors to participate within the capital raise subject to the constraints of law. We were the first company in 2020 to allow retail investors this opportunity, which was positive, but we do recognise that the window of opportunity to invest was limited. If we need to make a capital raising of this type in future, we would look to choose the best provider we could and would try to provide the largest window of opportunity to allow retail shareholders to participate.

4) <u>How and when will Compass Group PLC more energetically and successfully increase its share, preferably by organic growth?</u>

Answered by Dominic Blakemore

We have been one of the most deeply impacted companies by the pandemic. As you would expect, we operate in social environments that have been hugely impacted by the containment measures that we have experienced, and therefore recovery will take some time as we see these containment measures released, and we are confident we can return to the various environments in which we work. As you rightly say, part of that recovery will be about growth, organic growth and our ability to convert first time outsourcing as well as our ability to take share; we believe on both counts that we are very well placed. With regard to first time outsourcing we are seeing an uptick in the amount of first time outsourcing in our pipeline and in our win rates, particularly in Healthcare and Education, and we are also seeing an opportunity to take share as we believe that our clients are looking for what we are describing as this flight to trust and they want the best operators within the sectors and sub-sectors. We therefore believe that with our sectorisation and sub-sectorisation and the fact that we have we have a very tailored offer within sectors like Healthcare, within Senior Living, we have a digital offer, that this will allow us to be a winner in those future bids. We are positive about our offer, the pipeline and the opportunities and we hope to show as we move forward our progress in converting those opportunities.

5) <u>Have you reached more agreements with British food suppliers so that you are less reliant on imported food in the UK?</u>

Answered by Dominic Blakemore

Yes, part of our strategy to hedge against the Brexit supply risk was to put more of our supply into UK companies and suppliers, so we have moved from what was a historic supply from around 60% UK sourcing to 80%, which has been positive as it provides that hedge but also more of our clients are asking for local and regional sourcing than we have previously seen, so it has been a very positive combination, and that remaining 20% that is sourced from international markets is a combination of EU and ex-EU, and is predominantly around seasonal produce.

6) **I would like to ask if Compass is evaluating the costs and benefits of becoming a fully-fledged Living Wage employer by offering Living Wage tenders only?**

Answered by Dominic Blakemore

As you rightly say, we are a UK real living wage (RLW) accredited service provider, which means we pay a real living wage to our direct employees. On all bids and tenders we enter we offer two bids, one on the terms of the bid and one on an RLW costed basis. At this point we are adopting a position of advocacy rather than a mandate to switch, as we believe this is about collaborating with our clients. Ultimately, this has to be a joint agreement with our clients and we believe our position of advocacy is important. Given that our average contract lives are three to five years, the retender of contracts will only come up over time as will new business opportunities. We believe that by converting a higher percentage of these into RLW paying contracts we will be able to nudge the numbers of our current colleagues paid the RLW from around 50% to a higher proportion, but we recognise that this is, and will be, a multi-year programme. We are looking at similar programmes in all of our other countries and we have levels of RLW payment which is around the level as I have described in the UK, elsewhere.

7) **Specifically, are you satisfied that appropriate checks and balances are now in place to ensure the quantity and quality of the parcels meets the required standard across all locations?**

Answered by Dominic Blakemore

Again, I'd like to take the opportunity to apologise to children, parents and schools that were affected by the poor quality of parcels that was experienced at the time of the incident. Simply put, we got it wrong and we believe we have taken the appropriate corrective action to ensure that this won't reoccur. We have talked today, and you will have seen in our first quarter press release, about the new processes that we have in place around quality assurance with our suppliers, quality assurance at the school sites and the central sites where we are dispatching the food parcels. We are taking photographs on a sample basis of all food parcels that are leaving the premises, and we have increased both the quality and quantity of the produce which is in the food parcels. Images of the new food parcels, including the breakfast provision that we have committed to providing at our cost are available, and that is the standard to which we want to now be measured and held accountable. We hope we have taken appropriate action and done it quickly enough, and in the context of this we think we have now got all of the measures in place to ensure that those new standards are fully met. Looking forward, we want to work with the Department for Education and with the Marcus Rashford Foundation in particular, to look at how we can further improve the broader provision of free school meals within schools beyond the food parcels issue.

8) **Question: Will Compass Group commit to publishing a health and nutrition strategy including a target for growing the proportion of healthier* sales by 2030?**

*As defined by the UK Government's nutrient profiling model

Answered by Dominic Blakemore

We are committed to promoting healthier eating, this is one of our nine action platforms within our sustainability strategy that Ian described earlier. What that means is that we are committing to providing healthy choices, that we meet and beat all local and national guidelines on nutrition. We have thousands of nutritionists working across our businesses and in all of our sectors, and we are looking to offer particularly plant forward menus as a regular choice in all of the sites in which we operate, which means reduction in protein and a focus on reduction on portion size. However, we need to work with our clients and there can be many differences in the sectors that we operate, from schools through senior living, hospitals and obviously hospitality experiences in sports and leisure. Specifically, in the UK where I think your reference is to the healthier definition of menu options, we have committed by the end of 2021 we will display calorie and nutritional information on all recipes. 25% of our menus will offer a choice that meets the healthier criteria you describe, that will exceed the government calorie, salt, fat and sugar reduction criteria, that will include an increase of 20% of fruit and vegetables in our menus and that 20% of our menu choices will now be plant forward options. All of this is summarised online at https://nourishedlife.co.uk/ our online health and wellness site. We are following a similar strategy in many of our other markets, and we believe that at this point it is right and appropriate that we have a thoughtful and responsible approach market by market, and sector by sector given the differences in local legislation and different sector choices without setting group targets. As I hope you can see from our recently issued Group Sustainability Report and North American Sustainability Report we have a huge amount of action happening on the ground within our businesses, which you can read about and see within those reports.

9) **Question: Could you explain why the level of impairments was so low- was it perhaps due to the way contracts are structured?**

Answered by Karen Witts

We have tens of thousands of contracts across the group with varying contract structures and we work hard to ensure that they are sustainably profitable. Throughout this pandemic we have also in many instances successfully secured a temporary cost pass through arrangement with clients to stem losses and to underpin those contracts where volumes were materially lower. It's the combination of these two things that has led to a relatively small number of contracts that were deemed structurally impaired. Even though some sites in the most impacted sectors will still have very low volumes, we do expect that the volumes will return over time. As Dominic said, we believe that we will be able to return to historic levels of operating margin even before the volumes are fully restored.

10) **Do you have an estimated date regarding your next communication on the subject of Dividend payments?**

Answered by Ian Meakins

The Board is very conscious that we have missed the dividend in the year just gone by, and you can see from Dominic's report and Karen's report this morning that we are making real progress in terms of improving the performance of the business, but we have still got a very long way to go, as is very clear the Covid crisis is still very much with us, and I think its going to be a long journey out of this one. I think

again Dominic and Karen have made it clear where we are trying to get to in terms of exceeding a 7% margin over time, but again our gearing at the middle of this year is going to be amongst the highest that it has been for a long time. So, I think we are very conscious of getting back to a dividend, but we will want to do that when the business is back in shape and we can absolutely afford it and on a sustainable basis.

Additional questions

11) Can you commit to paper use being 100% sustainable?

By working through the 'remove, reduce, recycle' hierarchy, we are committed to reducing the amount of virgin paper and board and increasing the recycled content across the range of timber and pulp products we use. In the UK in 2019, 97% of the printing paper and paper products we sourced from our core suppliers came from FSC (Forest Stewardship Council) certified forests. This year, one of our key Responsible Sourcing priorities is to better understand where we can further reduce virgin paper and wood usage and switch more products to those certified to FSC (or equivalent) standards across our 5 largest markets. We will report on our progress in our 2021 Sustainability Report.

12) What are the potential impacts of Brexit on your global business, short and/or long term?

Substantively answered in question 5 above.

13) While restrictions will ease in time , the return to offices etc will probably never recover to pre-Covid levels , given the apparent success of home working. Thus surely Compass will find it difficult to recover this "lost" business

Substantively answered in question 2 above.

14) Please will you, to improve legibility, print future Annual Reports in black on white and without pastel contrasts, and not in columns but across page, to save scrolling if read online, and saving paper? And although you may argue full information, please will you consider shortening for clarity? (The 2020 Report is long compared with other companies'.)

We aim to make the Annual Report and Accounts as clear as possible for our investors, and this year, there was much to say about changes in the business environment. This, together with increased reporting requirements, has resulted in a slightly longer report than usual.

15) Please will you put photographs with biographies in future Annual Report counterparts of pages 21 - 25 and 70 onwards?

The Annual Report and Accounts contains photographs and biographies of Board and Executive Committee members. Although we will take your comments under advisement, how these are set out is to maximise the use of space on the relevant pages.

16) Annual Report page 44-49 Risks section is somewhat unclear to layman, in its coloured squares and esoteric category numbers; please will you in future clarify? And should not something of Coronavirus Covid - 19 scope have been anticipated and planned for, as disaster recovery?

We will take your comments on board for consideration. As is the case each year, the risk report was drafted in line with current best practice. The risk of pandemic has featured within our risk assessments and planning for many years. This assisted us in our response to COVID-19.

17) Please will you revert to holding A.G.Ms in central London (not off-centre Twickenham), no earlier than 11.00 and (as beloves a caterer) followed by hot lunch (as at Twickenham) and not repeat the 2020 insult of 10.00, no lunch and preceding Danish pastries not advertised?

During these times we need to be guided by the UK government with respect to gatherings as to shareholder meetings. That said, we annually review our arrangements on venue and timing, and note your comments.

18) What help was given to families or associates of the Compass Group PLC Coronavirus Covid - 19 employee victims Annual Report Chairman's Report mentions on page 2?

This question is covered in the AGM presentation but to give a little more insight, we have extended support to the families who have suffered a loss with access to external counselling. In the UK, for those who lost their lives in our healthcare business in the UK, we have matched the NHS death in service benefit of £60k. With respect to our overseas operations, we take a local approach depending on the market; for example, in Latin America we have set up a hardship fund that can be accessed by those families affected.

19) How is Compass Group PLC helping employees Annual Report page 8 mentions as affected by Coronavirus Covid - 19?

During the year, we have supported our people in a variety of ways. Some of these measures were operational such as COVID specific training and introducing preventative measures such as PPE, protective screens and reduced touch points. Other measures involved providing access to hardship funds and mental health well-being programmes. To provide additional reassurance to our clients and consumers, we partnered with independent scientific experts to launch COVID-secure audited assurance schemes.

20) Annual Report page 33 shows Europe has traded at loss; how and when will this be rectified?

Our Q1 trading update reported that all regions had returned to profitability with Europe margin at 1.2%. The margin recovery in Europe has been slower than the US as the resizing started later due to the tighter labour laws and so the associated benefits have only just started to come through. Equally, our European markets have experienced the most volatile containment measures over the last year. It is too early to give any guidance as to how and when the recovery will materialise, however the Group has committed to making sequential, non-linear, margin improvement quarter on quarter.

21) Page 13 refers to "our global reach", some forty five countries; did not former chief executive Richard Cousins describe sixty as "about right"?

Over the past few years, we have addressed the company's portfolio for efficiency and to concentrate on our most attractive markets. There are some jurisdictions in which we have chosen to cease operations as they are less attractive in terms of profitability and efficiency.

22) Annual Report page 35 shows 30 September 2019 share price £21.93 about halved to 30 September 2020 £11.69 and it is only some £13 now, and Total Shareholder Return ten-year has dipped to about 150%, and there is no dividend: how and when will all this be rectified? In future

Annual Report counterparts of page 140 Total Shareholder Return graph, please will you clarify by quantifying the inflexions, as other companies do?

These questions were substantively covered in the AGM presentation link and the answers to the questions above. With respect to the TSR graph, comments the will be taken under advisement and reviewed accordingly.